

# LOUISVILLE DAILY UNION PRESS.

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**TAX ON TOBACCO.**

Ought the Government to Tax Tobacco by Removing the Present Tax from the Manufactured Article and Placing it Directly on the Leaf in the Hands of the Producer?

(For the Union Press.)

The above question is now agitated among the dealers and manufacturers of tobacco in New York and other Northern cities, with a view of influencing the action of Congress at its present session.

The newspapers inform us that a large convention of tobacco dealers and manufacturers has recently been held at the Cooper Institute, in the city of New York, for the purpose of embodying their views in the form of a preamble and resolutions, and in that form to present them to Congress and to the United States Revenue Commission appointed by Congress.

The preamble and resolution of us that convention are as follows:

Whereas, The present law relating to the manufacture of tobacco, and assessing a tax upon it, has, during the present three years of its operations, fully and conclusively demonstrated the unworkability of this Association, and all others engaged in or connected with the manufacture of tobacco, its utter injustice and unadaptability to the nature and requirements of the trade, as well as to the wants of the Government, in the impossibility of its stringent and impartial enforcement of thereby, in reality, offering no reward for the collection of the payment of the tax, and the defrauding of the Treasury of its just dues; and,

Whereas, Under the present law, those manufacturers who have always willingly paid their tax, and gladly strengthened the hands of the Government in this, find their business in pawn and trust under the control of irresponsible and dishonest men, whom the present law cannot reach, as the statistics of the Department of Internal Revenue conclusively show;

Whereas, Owing to the depressing influence of every branch of the trade is entirely prostrated and many workmen thereby thrown out of employment, and divested of the means of home support; and,

Whereas, It is the unanimous conviction of the members of this Association, and upon the expiration of the past three years with the working out of the internal revenue law as it relates to the manufacture of tobacco, cigars and snuff, in this country, and strengthened by the working of similar laws in other countries, and the removal of the tax from the manufactured article, leaving to the manufacturer, and the tax collector, the entire control of the tobacco trade, including the manufacturer and workman from the covert and sinister operations of irresponsible and dishonest parties, and will increase the revenue of the National Treasury by several millions annually; therefore, be it resolved,

Resolved, That the members of this Association do respectfully but urgently request Congress to remove the tax from manufactured tobacco to the raw material or leaf, as an act of justice to the honest manufacturer, and which will work no injury to the government, at the same time, as an act of protection to the public.

Resolved, That the tariff on imported cigars, valued at fifteen dollars per thousand or less, is at present from twenty to thirty percent less than the duties by the same on the same quality of cigars of domestic manufacture; and, therefore we deem it the imperative duty of Congress to raise the tariff on imported cigars to an amount at least equal to that paid by home manufacturers.

Resolved, That the objects of this Association being yet unfulfilled, it is the clear and imperative duty of the members to continue their organization and labor with due zeal to render it successful.

Resolved, That copies of these resolutions be submitted to Congress at its ensuing session, and to the United States Revenue Commission appointed by Congress.

The resolutions of this Association unanimously adopted by the convention.

It is fair to presume that this large and influential body of men, convened with the tobacco trade in all its various ramifications, have given a fair and honest expression of their views, and that these persons have doubtless given the strongest reasons that can be given on this side of the question.

Not having seen the speech and remarks made by the members of the convention, I am inclined to believe that the report of the facts, and the conclusions drawn from those facts, as embodied in the resolutions themselves.

Writing, then, as I believe, in behalf and interest of the overwhelming majority of the tobacco manufacturers, dealers and producers in Kentucky, and especially in the interest of the revenue department of the Government, I take issue with the Cooper Institute convention, and the conclusions drawn from those facts. I deny the proposed change in the mode of taxation would benefit either the manufacturer, the producer or the Government; on the contrary, I hold that the probabilities are that all the parties named would be injured by the proposed change.

In discussing questions of this kind, it is well occasionally to recur to first principles.

The maxims or first principles of national taxation, as laid down by Adam Smith nearly a century since, have been fully confirmed by the concurrent experience of all the nations of the United States. They may be briefly stated as follows:

First. The abnormal increase in the production of manufactured tobacco in the latter part of 1863 and the early part of 1864, in anticipation of an increase of the tax.

spectively enjoy under the protection of the State.

Second. The tax which each individual is bound to pay ought to be certain, and not arbitrary; the time of payment, the manner of payment, and the amount to be paid, ought all to be clear, and plain to the contributor and to every other person.

Third. Every tax ought to be levied at the time and in the manner in which it is most likely to be convenient for the contributor to pay it.

Fourth. Every tax ought to be contrived so as both to take out and keep out of the pockets of the people as little as possible over and above what it brings into the public treasury of the State.

To these four general "maximes of taxation" the following may be suggested as a fifth:

Fifth. That when a heavy, or even a moderate, tax is laid upon any article of general consumption, the payment of the tax should be so regulated as not to become a necessary part of the capital of the manufacturer or the producer. If possible, we ought to leave to the consumer the duty of assessing and collecting by the Government until the article has passed into the possession of the dealer or of the consumer.

Under the guidance of these general principles the exchanges of Great Britain and other countries have been framed. In some instances these principles may appear to be violated in their practical application; but, as they are themselves founded on the ultimate principles of national justice, as between the Government and the taxpayer, we may expect each year to approximate towards their more complete observance.

In no instance, then, so far as I am informed, is there any tax laid at present in either country on an agricultural produce, in the hands of the producer and in its natural condition. The tax on malt and hops, however, is a notable exception to this rule, but it is only in appearance. The tax on hops is about five cents per pound, and the tax on malt is about sixty cents per bushel, and therefore, these articles yield to the Government an annual revenue of \$30,000,000; but both of these articles pass through the manufacturing process before entering into the general market of the country as articles of commerce.

The cotton grown in the United States is now subject to a tax of two cents per pound on raw cotton, and Congress may add an additional cent on each article; but this is an exceptional case, and the collection of this tax may be so regulated as to cause no inconvenience and impose no additional burden on the planter or producer.

The Cooper Institute convention, and the party which it represents, ask the Government to abandon the well-settled principles of national taxation, so far as applies to tobacco, and insist that the tax on this important article of national production should be levied on the leaf, instead of upon the manufactured product, as heretofore. They assert "that the present tax is unjust, and contrary to the wants of the trade as well as the Government," and that the present law is responsible for the enforcement of the mode of assessing the tax. The returns to the Assessor's office for the year ending 30th of June, 1865, were as follows:

Cavendish or plug tobacco ..... 1,275,500 lbs.  
Cut chewing ..... 112,000 lbs.  
Cut smoking ..... 20,000 lbs.  
Cigarettes ..... 265,647 lbs.  
Total ..... 1,494,327 lbs.

At the present rate of tax, this would yield a revenue of \$21,800, or about one-thirteenth of the entire tobacco tax collected in the United States; but as the rate of tax for the first nine months of the fiscal year was somewhat less than during the three last months, the amount of the tax actually collected was correspondingly less.

In the five months ending 30th of November, 1865, there was returned to the Assessor of the New York convention, and the tax collector, the amount bonded, 1,362,973 lbs. of manufactured tobacco, which, at the present rates of tax, yielded a revenue of \$22,654, showing a very large increase over the preceding year.

The number of cigar manufacturers in the city is 91; and the number of cigars returned for taxation in the year ending June 30, 1865, was 5,022,730. The tax paid on same was \$46,500. In the five months returned for taxation for 1865, there were returned for taxation 2,465,751 cigars, and the amount of tax on same was \$21,321.

Now, with these one hundred and fifteen manufacturers of tobacco and cigars, there has not been twenty cases of fraud brought to the attention of the revenue officers in the three years in which the law has been in operation, and these cases have been small in amount and promptly detected.

It would be a direct tax on the farmer and planter, instead of simply an indirect tax on the consumer; and the increased price of the leaf would require a corresponding increase of the capital of the manufacturer.

The amended law, as proposed, would certainly be far more expensive to the Government in carrying its provisions into operation, and also far more annoying to the tax-payer than the law as it stands at present.

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Second. The large quantity of manufactured tobacco from the late insurgent States which has been unexpectedly thrown upon the market under a low rate of tax.

Third. The uncertainty of the continuance of the present law, and the assumed stability in the mode of manufacturers and dealers that the Government would make a radical change in the mode of assessing the tax.

I submit that these reasons are fully adequate to account for the present depression in the tobacco manufacturing interest, without resorting to the imaginary idea of general fraud, as alleged by the convention.

It is certainly due to the manufacturers, the dealers and the producers of tobacco in Kentucky, that this charge of wholesale fraud is brought against them. Unquestionably the frauds committed under the present law, and while human nature continues as it is, this will be the case under any law; but as this law is better understood, and the defects suggested by experience are remedied, and as the officers of the law become more familiar with their duty and more faithful and vigilant in their performance, these frauds must soon become comparatively insignificant.

Indeed, it is believed that the present law is now very generally enforced in the tobacco manufacturing districts of the West and the Southwest, whatever may be the result of the trial of the article.

To these four general "maximes of taxation" the following may be suggested as a fifth:

Fifth. That when a heavy, or even a moderate, tax is laid upon any article of general consumption, the payment of the tax should be so regulated as not to become a necessary part of the capital of the manufacturer or the producer.

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Office on Jefferson street, south side, between First and Second, No. 24 west, P. O. 52-4244

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Col. James F. Buckner, Attorney, Louisville.

Philip, Caldwell & Co., Louisville Warehouse.

Col. John G. Lennon & Co., Louisville.

